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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

Carl M. Ogren
Ogren & Associates, Inc.
Reliance Financial Group, Inc.
Paragon Capital Group, Inc.;

Respondents

SDO -35- 02
S-02-242-02-FO-02

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
CEASE AND DESIST AS TO RESPONDENTS
RELIANCE FINANCIAL GROUP, INC. AND
PARAGON CAPITAL GROUP, INC.

Case No. 99-02-041
S-02-242

THE STATE OF WASHINGTON TO: Reliance Financial Group, Inc.

Paragon Capital Group, Inc.

On May 2, 2000, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intention to Enter Order to Cease and Desist, SDO-47-00, hereinafter referred to as the Statement of Charges to Carl Ogren, Ogren & Associates, Inc.; Reliance Financial Group, Inc.; and Paragon Capital Group, Inc.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (, hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (, hereinafter referred to as "Application for Hearing") thereon, was served on Reliance Financial Group, Inc. on or before May 23, 2000. The Notice of Opportunity for Hearing advised Reliance Financial Group, Inc. that it had twenty days from the date of receipt of the notice to file a written application for an administrative hearing on the Statement of Charges. Reliance Financial Group, Inc., by its president, Donald I. Goldstein, returned a completed application for hearing, dated June 5,

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1 2000, stating that it did not request a hearing in the matter. The application was accompanied by a letter from Reliance
2 Financial Group, Inc.'s legal counsel stating that Reliance Financial Group, Inc. had voluntarily ceased marketing viatical
3 settlements on the secondary market in Washington.

4 Paragon Capital Group, Inc. was served with the Statement of Charges, together with a Notice of Opportunity to
5 Defend and Opportunity for Hearing (, hereinafter referred to as "Notice of Opportunity for Hearing") and an Application
6 for Adjudicative Hearing (, hereinafter referred to as "Application for Hearing") thereon, on or before July 10, 2000.
7 Paragon Capital Group, Inc., by its president Donald I. Goldstein, returned a completed application for hearing, dated July
8 10, 2000, stating that it did not request a hearing in the matter. The application was accompanied by a letter from Paragon
9 Capital Group, Inc.'s legal counsel stating that Paragon Capital Group, Inc. had voluntarily ceased processing files with
10 respect to secondary market viatical settlements in Washington

11 As Reliance Financial Group, Inc. and Paragon Capital Group, Inc. each waived its right to an administrative
12 hearing on the Statement of Charges; the Securities Administrator therefore will adopt as final the findings of fact and
13 conclusions of law as set forth in the Statement of Charges.

14 The Securities Administrator makes the following findings of fact and conclusions of law:

15 I. RESPONDENTS

16 1. Carl M. Ogren ("Ogren") is an insurance salesman who is licensed to sell life and health insurance in
17 the state of Washington. Ogren conducts business through his company, Ogren & Associates, Inc.

18 2. Ogren & Associates, Inc. is a Washington corporation with its principal place of business located at
19 405 North Main Street in Colfax, Washington. Ogren & Associates, Inc. is owned and controlled by Carl Ogren.
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1 rating by A.M. Best or a similar ratings service. The policy must also be in good standing and must permit change
2 of ownership and beneficiary designation.

3 After evaluating the terminally ill person's insurance policy, Reliance employs a medical doctor to
4 diagnose the insured's condition and to estimate his or her life expectancy. The company uses this information to
5 establish the return which will be paid to investors — 30% for the Reliance Program and up to 56% with other
6 investments options.

7 6. While Reliance searches for terminally ill people with suitable insurance policies, Paragon recruits
8 agents to sell the viatical settlements it creates. Representatives from Paragon contact salespeople and arrange for
9 them to begin selling Reliance products. Paragon provides the sales agents with promotional materials, application
10 packages, and information about the Reliance viatical settlements (including the Reliance Program) available for
11 purchase by investors.

12 7. Investors in the Reliance Program supply the funds required to purchase a qualified insurance policy.
13 Their money is deposited with an escrow agent, pooled together, and delivered to the company once a sufficient
14 amount has been raised. Reliance completes the transaction by negotiating a price, purchasing the life insurance
15 policy, and obtaining an irrevocable assignment of interest from its owner. It also arranges with the issuing
16 insurance company for each investor to be recorded as the irrevocable beneficiary of his or her proportional share
17 of the policy. Ownership of the policy may, in some cases, be transferred to a trust created by the company.

18 8. After a policy is acquired, Reliance and its agents administer all aspects of the investment. They
19 establish a reserve account and ensure that policy premiums are paid in a timely manner so that coverage does not
20 lapse. Some programs require investors to provide additional funds in the event that the reserve account becomes
21 depleted. With the Reliance Program, however, the company pays all premiums on behalf of investors regardless
22

1 of how long the insured remains living. Reliance Program investors simply sign the viatical settlement agreement,
2 deliver their money, and wait passively to receive their share of the insured's death benefits.

3 9. Reliance and its agents monitor the viator's health and location on behalf of investors. When the
4 viator dies, the company and its agents notify investors and arrange to submit a death benefits claim on their behalf.

5 10. Reliance guarantees that investors in the Reliance Program will receive a 30% return on their
6 respective investments regardless of how long the viator actually lives. This is accomplished through the issuance
7 of repurchase certificates. If a viator does not die with the specified period of time, investors can return their
8 viatical settlements and the company will return their principal and pay the stated return.

9
10 III. SALE OF INVESTMENTS

11 1. Carl Ogren began selling viatical settlements in July of 1997. He promoted the sale of these
12 investments (including the Reliance Program) by mailing information to his insurance clients and by advertising in
13 at least one local publication.

14 2. Prospective investors were told that the viatical settlements Ogren offered were among the best
15 available because he and others had formed a group known as the "Viatical Associates" which had thoroughly
16 researched the industry on the investors' behalf. Ogren suggested that the Viatical Associates dealt directly with
17 several viatical settlement companies and that investors would benefit from its buying power. However, he failed
18 to disclose exactly how Viatical Associates researched the industry or whether it had actually entered into any
19 agreements with the viatical settlement companies. Ogren also failed to tell investors that the Viatical Associates
20 consisted only of himself and one other insurance salesman.

1 ensure that benefits were paid in the event that an insurance company failed. Thus, failure of the company that
2 issued the policy posed only a very minute risk.

3 8. Ogren indicated that the other risk associated with investing in viatical settlements involved the viator
4 living longer than expected. If a viator lived longer than expected, time-based rates of return would fall. However,
5 as with failure of the issuing insurance company, Ogren assured investors that the chance of this happening was
6 very small. He supplied a chart, which indicated that 79% of viators die within six months of their projected life
7 expectancy. When viators who die before their projected life expectancy are taken into account, a total of 89% of
8 all insureds would supposedly die no more than six months after their estimated time. Thus, the odds that an
9 investor would receive a lower than expected return due to viator longevity were only about 1 in 10.

10 Ogren failed to disclose material information about viatical settlements, including the Reliance Program, before he
11 sold them to investors. He did not tell investors they risked losing their principal in the event that policy premiums
12 were not paid in a timely manner. He did not disclose that investors might lose their principal if it was determined
13 that the insurance policy was fraudulently obtained by the viator. Ogren did not indicate that the investment would
14 be compromised if the viatical settlement company failed to properly record investor interests with the issuing
15 insurance company. Finally, Ogren did not disclose the method by which the viatical settlement company would
16 track the viator's health nor did he indicate what might happen if the company was unable to determine the viator's
17 location or date of death.

18 10. Ogren also failed to provide investors with important information about Reliance and Paragon
19 Capital. He did not inform investors of the companies' respective operating histories or identify their key
20 personnel. Ogren did not provide any information about their financial condition or their ability to continuing
21 providing essential investment services to investors. Ogren did not explain why these companies were chosen by
22 the Viatical Associates or what its two year investigation of the industry actually consisted of. Finally, Ogren did

1 not provide investors with any factual basis to support his representations concerning the accuracy of the life
2 expectancy projections.

3 11. From 1997 to 1999, Ogren sold more than \$2,000,000 worth of viatical settlement investments. Of
4 this amount, it appears that at least \$50,000 was invested in the Reliance Program.

5 IV. REGISTRATION STATUS

6 1. Reliance Financial Group, Inc. is not currently registered to sell its securities in the state of
7 Washington and has not previously been so registered.

8 2. Paragon Capital Group, Inc. is not currently registered as a broker-dealer in the state of Washington
9 and has not previously been so registered.

10 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
11

12 CONCLUSIONS OF LAW

13 1. The offer and/or sale of Reliance Program viatical settlements constitutes the offer and/or sale of a
14 security as defined in RCW 21.20.005(10) and (12), to wit: an investment contract.

15 2. The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration or
16 notification of claim of exemption for such offer and/or sale is on file with the Administrator of Securities, state of
17 Washington.

18 3. Paragon Capital Group, Inc. has violated RCW 21.20.040 by offering and/or selling said securities
19 while not registered as a broker-dealer in the state of Washington.
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1 4. Respondents Reliance Financial Group, Inc. and Paragon Capital Group, Inc. have each violated
2 RCW 21.20.010 because, as described above, they failed to provide investors with information necessary to make
3 their statements, in light of the circumstances under which they were made, not misleading.

4 Based upon the above Findings of Fact and Conclusions of Law it is hereby
5 ORDERED that respondents Reliance Financial Group, Inc. and Paragon Capital Group, Inc., their agents,
6 and employees each cease and desist from offering and/or selling securities in any manner in violation of RCW
7 21.20.140, the section of the Securities Act of Washington requiring registration.

8 It is further ORDERED that Reliance Financial Group, Inc. and Paragon Capital Group, Inc., their agents,
9 and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities
10 Act.

11 It is further ORDERED that Paragon Capital Group, Inc. cease and desist from acting as a securities
12 broker-dealer in violation of RCW 21.20.040.

13 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW.

14 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

15 DATED this 25th day of April, 2002.

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17 

18 DEBORAH R. BORTNER
19 Securities Administrator

20 Approved By:

Presented by:

21 _____
22 Michael E. Stevenson
Chief of Compliance

21 _____
22 Suzanne E. Sarason
Senior Enforcement Attorney

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